



Bryce Yokomizo  
Director

July 24, 2003

TO: Each Supervisor

*TRIS*

FROM: Bryce Yokomizo, Director

**SUBJECT: RESPONSE TO JUNE 24, 2003 BOARD MOTION ON WELFARE  
FRAUD RELATED ARRESTS**

This is pursuant to your Board's Motion on June 24, 2003 to report on how the 15 individuals arrested for welfare fraud were able to receive aid undetected. The Motion also directed my Department to report on recommendations for strengthening monitoring controls and plans to recover the stolen \$800,000.

The arrests were related to eight welfare cases. The perpetrators were unusually sophisticated, avoiding detection by hiding their assets. In two cases, ownership of vehicles was not reported as well as cash and income from businesses and/or self-employment. In two cases, fathers who were reported to be out of the home were actually in the home. In three cases, homes were purchased and put in the names of other family members. Also, other assets were hidden such as insurance settlements, vehicles, cash and business ownership. In one case, the recipient did not report owning a home and other assets such as vehicles were not reported.

We have reviewed our existing fraud monitoring controls (attached) and have taken the following actions to expand and strengthen our fraud prevention/detection tools and controls:

- On April 1, 2003, we implemented a new system that electronically matches wage data from the State against recipients' reported earnings, improving what was previously a manual process.
- On June 27, 2003, we reached agreement with the Department of Motor Vehicles (DMV) to receive their database to be matched against the DPSS database for vehicle ownership.
- We have piloted a document scanning system that improves timeliness, control and retrieval of monthly participant reports. This new system will benefit Food Stamp Quality Control as well as provide evidence needed for the prosecution of welfare fraud cases.

- Beginning September 1, 2003, we will be randomly selecting cases for review of home ownership.
- We will be implementing a pilot to test the effectiveness of expanding the Home Interview Program at the annual redetermination to reverify eligibility on certain cases. We plan to fund this pilot at the beginning of the next fiscal year.
- Welfare Fraud Linkage Analysis Database System (WFLADS) was modified to automatically identify participants who live at a commercial rather than a residential address. Also WFLADS will have enhanced fraud prevention capabilities related to the new Electronic Benefit Transfer (EBT) system.
- Pursuant to your Board's instructions on February 18, 2003, DPSS and WeTip developed a Public Service Announcement (PSA) to increase public awareness in preventing welfare fraud. The PSA airs on KNX Radio and KMEX-TV. WeTip is pursuing several other radio stations to air the PSA.
- Effective June 11, 2003, we strengthened and increased our welfare fraud detection abilities by providing the DA investigators who investigate welfare fraud with direct access to the WFLADS. In addition, the DA's office will conduct refresher training for DPSS welfare fraud staff in September on investigative techniques and evidence requirements.
- We are prominently displaying posters in district office lobbies with names and photographs of those convicted of welfare fraud in order to underscore the consequences of welfare fraud. These posters were initially distributed on December 30, 2002 and are updated quarterly. In August we will expand our public awareness efforts, by placing the photographs of those convicted of welfare fraud on our DPSS Internet website.

#### **Plan for Recoupment**

On welfare fraud arrests a portion of the overpayment is likely to be recouped up front at the time of the arrest, during pre-trial/out-of-court negotiations, and/or through the plea bargain process. At the time of the arrests, DA investigators seized approximately \$154,000 in cash and cashiers' checks. The remaining \$646,000 will be recouped once the participants have been convicted. DPSS has an MOU with the Probation Department to supervise focused collections of these monies. We have developed the following plan for recoupment with the DA and the Probation Department:

- Funds are likely to be recouped during the pre-trial/out-of-court negotiations. The DA has made it clear that while they will attempt to obtain restitution during the negotiation process, they will not allow repayment in lieu of jail or prison time.

- The court will likely order each person to repay in full all court ordered restitution as a condition of probation.
- The Probation Department will supervise collections of these payments and will assign the cases to Specialized Welfare Fraud Caseloads to collect the funds based on each individual's ability to pay.
- DPSS will continue to follow up with the DA on the status of the proceedings and will track the status of recoupment quarterly through the system used by the Treasurer Tax Collector (TTC) to keep track of overpayment and repayment information. The Probation Department inputs their payment data to this system.

My Department continues to work vigorously to enhance our fraud prevention and overall program integrity. We have been in contact with the California Department of Social Services (CDSS) Fraud Bureau and will be collaborating with them to research methods used by sophisticated cheaters, which should result in new and better ways to close loopholes.

BY:le

Attachment

c: Chief Administrative Officer  
District Attorney  
County Counsel  
Executive Officer, Board of Supervisors  
CDSS Fraud Bureau  
Probation Department

## **DPSS FRAUD PREVENTION PROGRAMS AND AUTOMATED SYSTEMS**

### **Department of Motor Vehicles**

Systems allows vehicle, address and identification information.

### **District Attorney Investigations**

DPSS provides funds to the DA for investigative staff that conduct specialized welfare fraud investigations.

### **District Attorney Prosecution**

DPSS has an MOU with and provides funds to the DA for the prosecution of welfare fraud.

### **DPSS Fraud Posters**

Used to deter fraud by publicizing the consequences of committing welfare fraud and that it is a crime punishable by law..

### **Early Fraud Program Investigators**

Investigators are housed in 31 district offices throughout Los Angeles County to assist in early fraud detection and prevention.

### **Field Fraud Investigators**

Centrally housed investigators examine referrals from a variety of sources and conduct investigations.

### **Home Visitation Program**

County program that uses eligibility staff to conduct home interviews at the time of application to provide services to participants and to verify eligibility facts.

### **Justice Department Interface Controller (JDIC)**

Justice Department system that allows access to other law enforcement databases.

### **L.A. Superior Court Tracking System**

Allows tracking of court cases.

### **LEADER**

System accesses information on all DPSS Eligibility systems.

### **Property Pro**

Checks property tax systems to determine owner and property value.

### **Standardized Investigator Basic Course (SIBC)**

Prepares all Welfare Fraud Investigators hired after January 1, 2002 on report writing, interviewing/interrogation techniques, field officer safety, civil rights, and police procedures IAW Peace Office Standards and Training. All Welfare Fraud Investigators in the state of California are required to successfully pass a 4-month, 640 hour SIBC training.

### **Statewide Fingerprint Imaging System (SFIS)**

State-sponsored system that captures fingerprint images and photo images of CalWORKs, General Relief and Food Stamps applicants to prevent multiple case fraud.

**State Income Matches**

State-sponsored systems that provide data on aid recipients who appear to have other forms of income. This allows DPSS to verify that the income was properly reported. Other matches include Franchise Tax Board matches, new hire matches, California Youth Authority match, Deceased Persons match and Jail match.

**Welfare Fraud Linkage Analysis Database System (WFLADS)**

County anti-fraud tool that automatically receives, stores, reads, and analyzes data from existing DPSS computer systems. Can identify inconsistencies in welfare cases and alert fraud staff.

**We Tip Hotline**

DPSS provides funds to We Tip, a contractor who receives welfare fraud referrals via the telephone. In some cases, if fraud is found, those who report the fraud can receive a reward.